

Basics of Federal Grant Financial Management





Welcome . . .

- Introduction of trainer and Montana Commission staff
- Questions
 - As we go . . . ask clarifying questions and provide your experiences
 - Questions at the end as time permit



Session Objectives

- ❑ Review key concepts & tools for effective financial management of an AmeriCorps program from the Montana Commission
- ❑ Increase knowledge about effective financial and grants management
- ❑ Discuss challenges and opportunities
- ❑ Explore ways to enhance and improve current practices



Basic Financial & Grants Management Terminology


Acronyms:

- ❑ **CFR** – Code of Federal Regulations – All codified federal agency regulations. For AmeriCorps, these are 45 CFR 2500-2555
- ❑ **FFR** – Federal Financial Report – used for all federal grant financial reporting of expenses and federal cash



Basic Financial & Grants Management Terminology

- **OMB** – the Office of Management & Budget in the White House. OMB issues Circulars & regulations applicable to all executive federal agency grant programs – the foundation for all subsequent specific federal agency grant regulations



OMB Regulations & Requirements

OMB Rules and Regulations

Federal Grant Guidelines	Educational Institutions	States, Local, Indian Tribal Governments	Non-Profits	Hospitals
Administrative Requirements	45 CFR 2543 2 CFR 215 (OMB A-110)	45 CFR 2541 (OMB A-102)	45 CFR 2543 2 CFR 215 (OMB A-110)	45 CFR 2543 2 CFR 215 (OMB A-110)
Cost Principles	2 CFR 220 (OMB A-21)	2 CFR 225 (OMB A-87)	2 CFR 230 (OMB A-122)	45 CFR 74 (HHS regulations)
Audit Requirements ★	OMB A-133	OMB A-133	OMB A-133	OMB A-133

Notes:

CFR = Code of Federal Regulations

★ = Organization is subject to A-133 if it expends more than \$500,000 of Federal funds in its fiscal year

Locate Grants Management Circulars: www.whitehouse.gov/omb/grants_circulars/



Basics of OMB Circulars

- Cost Principles –
 - Allowable & Unallowable Costs
 - Indirect Costs; salaries & wages, etc
- Administrative Requirements
 - Accounting System
 - Pre-award; Post-award & Closeout
 - Documentation requirements
- A-133 requirements - Audits

Cost Principles

- ❑ Provide guidance to determine the **Allowable** costs that can be incurred by organizations under Federal grants *Appendix B – Selected Items of Cost*
- ❑ Designed so that Federal awards bear their fair share of costs, **Allocable**
- ❑ Establish that costs must be **Reasonable**
- ❑ Provide uniform standards of allowability and allocation
- ❑ Encourage consistency of treatment of costs
- ❑ Guidance on 54 selected items of cost (*Appendix B*)


See Handout 1



Allowable – What does it Mean?

To be allowable under a grant, costs must:

- ☐ Be included in your approved budget in eGrants
- ☐ Be reasonable and allocable for the performance of the award
- ☐ Conform to grant award limitations or cost principles
- ☐ Be consistent with policies and procedures that apply to both Federally-financed and other activities of the organization
- ☐ Be given consistent treatment within the entire organization
- ☐ Be in accordance with Generally Accepted Accounting Principles (GAAP)
- ☐ Not be included as a cost or used to meet cost sharing or matching requirements of any other Federally-financed program unless statutorily authorized (AmeriCorps)
- ☐ Be adequately documented



Example – Allowable?

- ❑ The Program Director of BEST AmeriCorps program decided to host a very important meeting at his home and serve beer and pizza hoping that everyone would attend.
- ❑ The purpose of the meeting was to discuss changes in the new CNCS Grant Provisions that affected the program.
- ❑ Because it was a business meeting he decided to charge the cost of the beer and pizza to the AmeriCorps grant, especially since he was providing the use of his home.

Allowable?



Reasonable – What Does it Mean?

A cost is reasonable if:

- ☐ It does not exceed what a prudent person would do under the circumstances at the time the decision was made to incur the cost
- ☐ Consideration should be given to:
 - Whether the cost is ordinary and necessary for the operations of the organization
 - The restraints or requirements imposed by generally accepted sound business practices
 - Whether the individuals concerned acted with prudence
 - Significant deviations from established practices which may unjustifiably increase the award costs



Example – Reasonable?

- ❑ BEST program needs 5 laptop computers for the program so that participants can learn basic computer skills.
- ❑ When deciding on the model that would best suit its needs, the Program Director received three price quotes on various models and two were within the same general price range of \$650 - \$700. However, one laptop appealed to him most – it met all of the necessary specifications plus being the “techie” he was it had many other “nice to have” features, such as built in webcam and mobile broadband, a 21” Hi-Def widescreen, and 8 built-in speakers and a subwoofer.
- ❑ Although the basic models were adequate, the more appealing one was \$2,999, on sale, and came in crimson red, the BEST program’s team color, so the Program Director ordered 5 of these laptop computers.

Reasonable?


Allocable – What Does it Mean?

A cost is allocable to the grant:

- If it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - It is incurred specifically for the award
 - Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received or
 - Is necessary to the overall operation of the organization



**Any cost allocable to a particular award
may not be shifted to other Federal awards
to overcome funding deficiencies, or to avoid restrictions
imposed by law or by the terms of the award**



Example – Allocable?

- When the crimson red laptops finally arrived, the Program Director found that funds allocated for supplies for the BEST AmeriCorps program were fully expended.
- Although the laptops were to be used only for the AmeriCorps program, BEST had another CNCS funded program through a Senior Corps program, so the Program Director told the accountant to charge the cost to the Senior Corps program since CNCS was also funding that program.

Allocable?



Consistent – What Does it Mean?

Grantees must be consistent in assigning costs:

- ☐ Whether a direct cost or an indirect cost
- ☐ Regardless of the source of funding, i.e., Federally or non-Federally sponsored activities, and
- ☐ Following written cost allocation plan, as applicable

Key wording in the cost principles:

- ☐ Consistent with that paid for similar work in the organization's other activities
- ☐ Distributed to awards and other activities in a consistent pattern
- ☐ The organization must follow a consistent, equitable procedure
- ☐ Charges must be consistent with those normally allowed in like circumstances in the organization's non-Federally sponsored activities



Example – Consistently Applied?

- The BEST program was running low on office supplies and postage stamps.
- Since the Program Director couldn't wait any longer for the office manager to provide the supplies, he purchased them and charged them to the BEST grant.

Consistently Applied?

Administrative Requirements

- Provide consistency and uniformity among Federal agencies in the management of grants and cooperative agreements
- Address common Pre-Award, Post-Award and After-Award Requirements

Federal Grant Guidelines	Educational Institutions	States, Local, Indian Tribal Governments	Non-Profits	Hospitals
Administrative Requirements	45 CFR 2543 (formerly OMB A-110)	45 CFR 2541 (formerly OMB A-102)	45 CFR 2543 (formerly OMB A-110)	45 CFR 2543 (formerly OMB A-110)



Administrative Requirements



1. PRE-AWARD:

- Type of award: Grant, contract, cooperative agreement
- Debarment
- Forms & notices for applying for grants

2. POST-AWARD:

- Standards for Financial Management Systems



Administrative Requirements



-
- Payments
 - Matching
 - Program Income
 - Revision to Budgets/Programs
 - Property/Equipment/Supplies
 - Monitoring
 - Financial & Program Reporting
 - Termination & Enforcement




Administrative Requirements



3 AFTER-AWARD:

- Closeouts
- Adjustments
- Collections



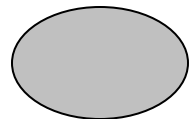
Financial Accounting System Requirements

- ❑ Distinguish grant verses non-grant related expenses
- ❑ Identify costs by program year & budget category
- ❑ Differentiate between direct and indirect costs
- ❑ Account for each award/grant separately
- ❑ Record in-kind contribution as both revenue & expense
- ❑ Provide management with financial reports at both the summary or detailed levels that will compare outlays with budget amounts
- ❑ Correlate financial reports submitted to CNCS directly to accounting information and supporting documents

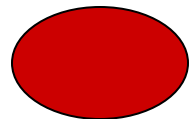
Accounting System that properly segregates funds



Department of Education Grant

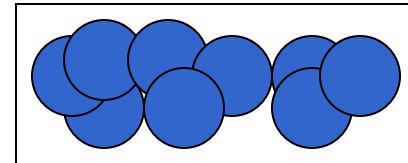


CNCS Grant

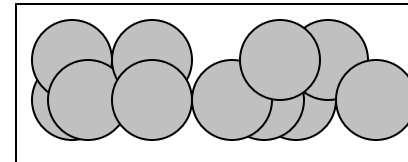


Ford Foundation Grant

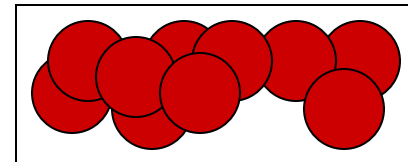
Accounting System



Grant 1

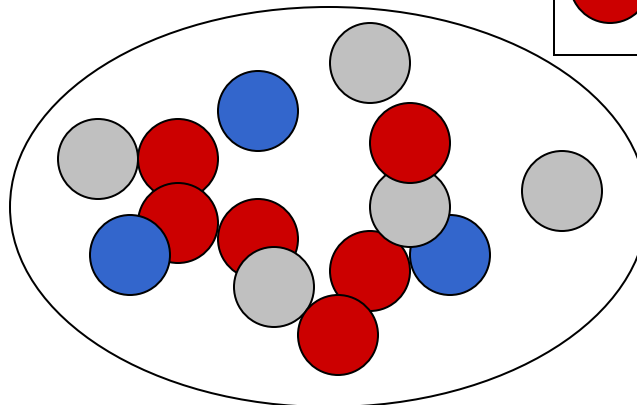


Grant 2



Grant 3

NOT →





Effective Financial Management





Key Characteristics of Organizations with Highly Effective Financial Management

- ❑ Written and followed policies and procedures
- ❑ Qualified and trained financial staff
- ❑ Effective communications
- ❑ Succession planning and cross-training
- ❑ Self-assessment and continuous improvement
- ❑ Active, knowledgeable and informed Board and finance committee

A-133 Audit Requirements

- Provide the standards for obtaining consistency and uniformity among Federal agencies for the audit of organizations expending Federal funds
- Apply to all organizations that expend \$500,000 or more of Federal funds in that organization's fiscal year

Hierarchy of Grant Requirements





Nat'l & Community Svc. Act of 1990

Serve America Act

Code of Federal Regulations (CFR)

OMB Circulars (part of CFR)

State & Local Regulations

Grant Provisions

Certifications and Assurances

Notice of Grant Award

Proposal & Budget

Notice Of Funding Opportunity